



**2020 Capitalization Rate Study
Scheduled Airlines - Freight**

FINAL

Completed: April 28, 2020

MONTANA DEPARTMENT OF REVENUE

Yield Capitalization Rate Conclusion Industry: Scheduled Airlines - Freight 2020 Assessment Year

Capital Structure ^[1]

Equity	60.00%
Debt	40.00%

Equity Cost of Capital

		Weighting
Capital Asset Pricing Model - Ex Post ^[2]	11.19%	45%
Capital Asset Pricing Model - Ex Ante ^[2]	8.75%	45%
3 Stage Dividend Discount Model - Dividends ^[3]	8.40%	5%
3 Stage Dividend Discount Model - Earnings ^[3]	9.80%	5%
Weighted Average	9.88%	100%
Selected Cost of Equity	<u>9.90%</u>	

Debt Cost of Capital

		Weighting
A - Mergent's - Avg. YTM of A Rated Corporate Bonds ^[4]	3.36%	0%
Baa - Mergent's - Avg. YTM of Baa Rated Corporate Bonds ^[4]	3.88%	0%
Ba - MTDOR - Avg. YTM of Ba Rated Corporate Bonds ^[5]	6.58%	100%
Weighted Average	6.58%	100%
Selected Cost of Debt	<u>6.60%</u>	

Weighted Average Cost of Capital (WACC)

Source of Capital	Capital Structure	Cost of Capital	Marginal Tax Rate	After-tax Cost of Capital	Weighted Cost
Equity	60.00%	9.90%		9.90%	5.94%
Debt	40.00%	6.60%	24.00%	5.02%	2.01%
WACC	100.00%				7.95%
WACC (Rounded)					8.00%

Notes

- [1] From worksheet: Capital Structure
- [2] From worksheet: Capital Asset Pricing Model Summary
- [3] From worksheet: Yield Equity Summary
- [4] January 2020, Mergent Bond Record
- [5] Montana Department of Revenue High Yield Debt Study

MONTANA DEPARTMENT OF REVENUE

Direct Capitalization Rate Conclusion Industry: Scheduled Airlines - Freight 2020 Assessment Year

Capital Structure ^[1]

Equity	60.00%
Debt	40.00%

Equity Capitalization Rate ^[2]

NOI After-tax	7.35%
GCF	17.60%

Debt Capitalization Rate ^[3]

Calculated Current Yield	4.60%
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NOI After-tax Direct Capitalization Rate

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	After-tax Capitalization Rate	Weighted Capitalization Rate
Equity	60.00%	7.35%		7.35%	4.41%
Debt	40.00%	4.60%	24.00%	3.50%	1.40%
Total	100.00%				5.81%

Total (Rounded)	5.90%
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GCF Direct Capitalization Rate

Source of Capital	Capital Structure	Capitalization Rate	Marginal Tax Rate	After-tax Capitalization Rate	Weighted Capitalization Rate
Equity	60.00%	17.60%		17.60%	10.56%
Debt	40.00%	4.60%	24.00%	3.50%	1.40%
WACC	100.00%				11.96%

Total (Rounded)	12.00%
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Notes

[1] From worksheet: Capital Structure

[2] From worksheet: Direct Equity Summary

[3] From worksheet: Calculated Current Yield

MONTANA DEPARTMENT OF REVENUE

Selection of Guideline Companies Industry: Scheduled Airlines - Freight 2020 Assessment Year

Screening Requirements:

The universe of companies is all companies listed in Value Line under the air transport industry.

Companies were then selected using the following screening criteria:

1. Operates primarily as a freight carrier / air cargo service.
2. Actively traded on an American exchange.
3. Headquartered / incorporated in the United States
4. No significant merger & acquisition activity during the year.

Company Ticker	Air Cargo	Actively traded on an American exchange	Headquartered in the United States	Consider as Potential Guideline Company	Not Engaged in Material M&A Activity	Use as Guideline Company	Note
AAL	No			No			
AAWW	Yes	Yes	Yes	Yes	Yes	Yes	
AIRT	Yes	Yes	Yes	Yes	Yes	Yes	
ALGT	No			No			
ALK	No			No			
ATSG	Yes	Yes	Yes	Yes	Yes	Yes	
CPA	No		No	No			
DAL	No			No			
ERA	No			No			
FDX	Yes	Yes	Yes	Yes	Yes	Yes	
HA	No			No			
JBLU	No			No			
LUV	No			No			
MESA	No			No			
RLGT	No			No			
SAVE	No			No			
SKYW	No			No			
UAL	No			No			
UPS	Yes	Yes	Yes	Yes	Yes	Yes	
WJA.TO	No			No			

MONTANA DEPARTMENT OF REVENUE

Support for Capital Structure
Industry: Scheduled Airlines - Freight
2020 Assessment Year

(\$ and Shares Outstanding In Millions, Except Per Share Amounts)

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Ticker	Company	Industry Group	Financial Strength	Shares Outstanding	End of Year Closing Stock Price	MV Common Stock	MV Preferred Stock	MV Long Term Debt	PV of Operating Leases	Total Common, Preferred, LT Debt, & Op Leases	% Common	% Preferred	% Debt & Op Leases
		Value Line	Value Line	10-K	Yahoo	ExF	10-K	10-K	10-K	G+H+I+J	G/K	H/K	(I+J)/K
							Note [1]	Note [2]					
AAWW	Atlas Air Worldwide	AIRTRANS	B+	25.871	27.57	713	0	2,464	535	3,712			
AIRT	Air T Inc	AIRTRANS	C	2.023	20.15	41	0	58	11	109			
ATSG	Air Transport Services Grp.	AIRTRANS	B	59.329	23.46	1,392	0	1,482	40	2,914	48%	0%	52%
FDX	FedEx Corp.	AIRTRANS	A++	260.808	151.21	39,437	0	17,800	13,320	70,557	56%	0%	44%
UPS	United Parcel Serv.	AIRTRANS	A	858.488	117.06	100,495	0	26,949	2,929	130,373	77%	0%	23%
All Companies						142,077	0	48,753	16,835	207,665	68%	0%	32%
Average											60%	0%	40%
Median											56%	0%	44%
High											77%	0%	52%
Low											48%	0%	23%
Selected											60%		40%

Notes

[1] Market value of preferred stock assumed to equal book value

[2] Market value of debt is fair value of long term debt from 10-K notes

MCA 15-1-210, rationale for changes to guideline companies:

2020 - No changes to guideline companies

Current Average	60%	0%	40%
1 Year Ago	61%	0%	39%
2 Years Ago	37%	0%	63%
3 Year Average	53%	0%	47%

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Freight

2020 Assessment Year

$$k_e = R_f + \beta \times ERP$$

		<i>Ex Post</i>	<i>Ex Ante</i>
$k_e =$	Cost of Equity	11.19%	8.75%
$R_f =$	Risk Free Rate	2.25%	2.25%
$\beta =$	Beta	1.25	1.25
$ERP =$	Equity Risk Premium ($R_m - R_f$)	7.15%	5.20%
$R_m =$	Market Rate of Return	9.40%	7.45%

Risk Free Rate Measures (R_f):

The Value Line Investment Survey: Selection & Opinion^[1]

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Selected Yields on Taxable U.S. Treasury Securities as of 12/24/19

10-year 1.90%

30-year 2.33%

Federal Reserve Statistical Release^[2] and U.S. Department of the Treasury, Daily Treasury Yield Curve Rates^[3]

U.S. government securities, Treasury constant maturities, Nominal, December 31, 2019

10-year 1.92%

20-year 2.25%

30-year 2.39%

Risk Free Rate Selected **2.25%**

Notes

[1] "Value Line Selection & Opinion", Value Line (January 3, 2020)

[2] <https://www.federalreserve.gov/datadownload/Choose.aspx?rel=H.15>

[3] <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/>

Ex Post - Equity Risk Premium Measures ($ERP = R_m - R_f$)

Duff & Phelps, 2020 Cost of Capital Navigator

		R_m ^[4]	R_m	R_f	ERP
ERP "Historical" - <i>Ex Post</i>	Arithmetic Avg.	9.40%	9.40%	2.25%	7.15%
ERP "Supply-side" - <i>Ex Post</i>	Arithmetic Avg.	8.42%	8.42%	2.25%	6.17%
Ex Post Equity Risk Premium Selected		9.40%		2.25%	7.15%

MONTANA DEPARTMENT OF REVENUE

Capital Asset Pricing Model (CAPM)

Industry: Scheduled Airlines - Freight

2020 Assessment Year

$$k_e = R_f + \beta \times ERP$$

Ex Ante - Equity Risk Premium Measures (ERP = Rm - Rf)

DOR 3 Stage Dividend Growth Model, S & P 500, See Exhibit

	<u>R_m^[4]</u>	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP - <i>Ex Ante</i>	7.35%	7.35%	2.25%	5.10%

Duff & Phelps, 2020 Cost of Capital Navigator

	<u>R_m^[4]</u>	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
ERP "Conditional" - <i>Ex Ante</i>		8.00%	3.00%	5.00%

Damodaran Implied ERP (Jan 8, 2020)

	<u>R_m^[4]</u>	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
Implied Premium (FCFE) - <i>Ex Ante</i>	7.45%	7.12%	1.92%	5.20%
Implied Premium (FCFE with sustainable payout) - <i>Ex Ante</i>	7.31%	6.98%	1.92%	5.06%

	<u>R_m^[4]</u>	<u>R_m</u>	<u>R_f</u>	<u>ERP</u>
<u>Average</u>	7.37%	7.36%		5.09%
<u>Median</u>	7.35%	7.24%		5.08%
<u>High</u>	7.45%	8.00%		5.20%
<u>Low</u>	7.31%	6.98%		5.00%

Equity Risk Premium Selected

7.45%	2.25%	5.20%
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Notes

[4] R_m estimated using selected Risk Free Rate (R_f)

MONTANA DEPARTMENT OF REVENUE

Support for Beta Selection in CAPM
Industry: Scheduled Airlines - Freight
2020 Assessment Year

A	B	C	D	E
Ticker	Company	Industry Group	Financial Strength	Beta
		<i>Value Line</i>	<i>Value Line</i>	<i>Value Line</i>
AAWW	Atlas Air Worldwide	AIRTRANS	B+	1.75
AIRT	Air T Inc	AIRTRANS	C	0.75
ATSG	Air Transport Services Grp.	AIRTRANS	B	1.20
FDX	FedEx Corp.	AIRTRANS	A++	1.40
UPS	United Parcel Serv.	AIRTRANS	A	1.00
Average				1.22
Median				1.20
High				1.75
Low				0.75
Selected				1.25

MONTANA DEPARTMENT OF REVENUE

**Inflation & Real Growth
Industry: Scheduled Airlines - Freight
2020 Assessment Year**

A	B	C	D	Nominal Growth	
				E	F
Source Description	Inflation (CPI)	Real Growth (GDP)	Nominal Growth	Low	High
Livingston Survey ^[1]	2.19%	2.14%	4.33%		
Survey of Professional Forecasters ^[2]	2.23%	2.03%	4.26%		
Congressional Budget Office ^[3]	2.40%	2.20%	4.60%		
Average	2.27%	2.12%	4.40%		
Median	2.23%	2.14%	4.37%		
High	2.40%	2.20%	4.60%		
Low	2.19%	2.03%	4.22%		
Selected	2.20%	2.20%	4.40%	4.22%	4.60%

Inflationary Trend Factors						
Year	Dec. CPI-U Index	Percent Change From Previous	Dec. to Dec. Conversion Factor	Annual Avg. CPI-U Index	Percent Change From Previous	Annual Conversion Factor
	<i>Note [5]</i>	<i>Note [6]</i>	<i>Note [7]</i>	<i>Note [5]</i>	<i>Note [6]</i>	<i>Note [7]</i>
2007	210.036		1.2235	207.342		1.2330
2008	210.228	0.1%	1.2224	215.303	3.7%	1.1874
2009	215.949	2.6%	1.1900	214.537	-0.4%	1.1917
2010	219.179	1.5%	1.1724	218.056	1.6%	1.1724
2011	225.672	2.9%	1.1387	224.939	3.1%	1.1366
2012	229.601	1.7%	1.1192	229.594	2.0%	1.1135
2013	233.049	1.5%	1.1027	232.957	1.4%	1.0974
2014	234.812	0.8%	1.0944	236.736	1.6%	1.0799
2015	236.525	0.7%	1.0865	237.017	0.1%	1.0786
2016	241.432	2.0%	1.0644	240.007	1.2%	1.0652
2017	246.524	2.1%	1.0424	245.120	2.1%	1.0430
2018	251.233	1.9%	1.0229	251.107	2.4%	1.0181
2019	256.974	2.2%	1.0000	255.657	1.8%	1.0000

Notes

[1] Federal Reserve Bank of Philadelphia The Livingston Survey December 13, 2019 Table 3 Inflation Rate and Real GDP mean

<https://www.philadelphiafed.org/research-and-data/real-time-center/livingston-survey>

[2] Federal Reserve Bank of Philadelphia Survey of Professional Forecasters February 14, 2020 Table 8 and Table 9 Average over next 10-Year mean

<https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2020/survq120>

[3] Congressional Budget Office, The Budget and Economic Outlook: 2020 to 2030, Table 2-1

<https://www.cbo.gov/about/products/budget-economic-data#4>

[5] Historical Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, all items, index averages (1982-84=100, unless otherwise noted)

<https://www.bls.gov/cpi/tables/supplemental-files/historical-cpi-u-202001.pdf>

[6] (Row year - Previous Year) / Row Year

[7] Most current year / Row year

MONTANA DEPARTMENT OF REVENUE

3 Stage Dividend Discount Model (DDM)

Industry: Scheduled Airlines - Freight

2020 Assessment Year

$$k_e = (D_1 / P_0) + g$$

k_e = Cost of Equity

D_1 = Expected Dividend

P_0 = Current Price Per Share

g = Sustainable Long-Term Growth

A	B	C	D	E	F	G	H	I
Ticker	Company	2019 Year End Stock Price	2020 Est Div'ds Decl'd per sh	Expected Equity Payout Yield	Sustainable Long-Term Growth Rate ^[1]	Sustainable Long-Term Growth Rate ^[1]	Cost of Equity Dividend Growth	Cost of Equity Earnings Growth
		<i>Yahoo</i>	<i>Value Line</i>	<i>D/C</i>	<i>Dividends</i>	<i>Earnings</i>	<i>E+F</i>	<i>E+G</i>
		P_0	D_1	D_1/P_0	g	g	k_e	k_e
AAWW	Atlas Air Worldwide	27.57	0.00	0.00%	0.00%	0.00%		
AIRT	Air T Inc	20.15	0.00	0.00%	0.00%	0.00%		
ATSG	Air Transport Services Grp.	23.46	0.00	0.00%	0.00%	0.00%		
FDX	FedEx Corp.	151.21	2.60	1.72%	6.24%	8.99%	7.96%	10.71%
UPS	United Parcel Serv.	117.06	4.00	3.42%	5.39%	5.50%	8.81%	8.91%
Average							8.39%	9.81%
Median							8.39%	9.81%
High							8.81%	10.71%
Low							7.96%	8.91%
Selected							8.40%	9.80%

Notes

[1] From worksheet: DDM Sustainable Long-Term Growth

MONTANA DEPARTMENT OF REVENUE

Support for DDM - Short Term Growth Rate Calculations

Industry: Scheduled Airlines - Freight

2020 Assessment Year

A	B	C	D	E	F	G
Ticker	Company	End of Year Closing Stock Price	Div'ds Decl'd per sh 2020 Est	Expected Dividend Yield	Div'ds Decl'd per sh 2023-2025 Est	Short-Term Growth Rate
		<i>Yahoo</i>	<i>Value Line</i>	<i>D / C</i>	<i>Value Line</i>	<i>Note [1]</i>
AAWW	Atlas Air Worldwide	27.57	0.00	0.00%		
AIRT	Air T Inc	20.15	0.00	0.00%		
ATSG	Air Transport Services Grp.	23.46	0.00	0.00%		
FDX	FedEx Corp.	151.21	2.60	1.72%	3.80	9.95%
UPS	United Parcel Serv.	117.06	4.00	3.42%	5.15	6.52%

A	B		C		D	E
Ticker	Company		Earnings per share 2020 Est		Earnings per share 2023-2025 Est	Short-Term Growth Rate
			<i>Value Line</i>		<i>Value Line</i>	<i>Note [1]</i>
AAWW	Atlas Air Worldwide		4.55		6.30	8.48%
AIRT	Air T Inc		0.00		0.00	
ATSG	Air Transport Services Grp.		1.61		0.00	
FDX	FedEx Corp.		10.75		19.25	15.68%
UPS	United Parcel Serv.		7.90		10.25	6.73%

Notes

[1] 5 year compound annual growth rate (CAGR) - 4 periods

MONTANA DEPARTMENT OF REVENUE

DDM Sustainable Long Term Growth

Industry: Scheduled Airlines - Freight

2020 Assessment Year

Dividend Growth Rate									Stage 1				
Ticker	Company	Year End Stock Price	Expected Short-Term Dividend Growth Rate	Expected Long-Term Growth Rate	Expected Dividend Yield	Internal Rate of Return	Implied Sustainable Long-Term Growth Rate (g)	Initial Investment	D ₁	D ₂	D ₃	D ₄	D ₅
		Yahoo	Note [1]	Note [2]	D_1/P_0	$K_e = IRR \text{ of } D_1:D_{500}$	$g = IRR - Div. Yield$						
AAWW	Atlas Air Worldwide	27.57	0.00%	4.40%	0.00%			(27.57)	0.00	0.00	0.00	0.00	0.00
AIRT	Air T Inc	20.15	0.00%	4.40%	0.00%			(20.15)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Services Grp.	23.46	0.00%	4.40%	0.00%			(23.46)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	151.21	9.95%	4.40%	1.72%	7.96%	6.24%	(151.21)	2.60	2.86	3.14	3.46	3.80
UPS	United Parcel Serv.	117.06	6.52%	4.40%	3.42%	8.81%	5.39%	(117.06)	4.00	4.26	4.54	4.83	5.15

Earnings Growth Rate									Stage 1				
Ticker	Company	Year End Stock Price	Expected Short-Term Earnings Growth Rate	Expected Long-Term Growth Rate	Expected Dividend Yield	Internal Rate of Return	Implied Sustainable Long-Term Growth Rate (g)	Initial Investment	D ₁	D ₂	D ₃	D ₄	D ₅
		Yahoo	Note [1]	Note [2]	D_1/P_0	$K_e = IRR \text{ of } D_1:D_{500}$	$g = IRR - Div. Yield$						
AAWW	Atlas Air Worldwide	27.57	8.48%	4.40%	0.00%			(27.57)	0.00	0.00	0.00	0.00	0.00
AIRT	Air T Inc	20.15	0.00%	4.40%	0.00%			(20.15)	0.00	0.00	0.00	0.00	0.00
ATSG	Air Transport Services Grp.	23.46	0.00%	4.40%	0.00%			(23.46)	0.00	0.00	0.00	0.00	0.00
FDX	FedEx Corp.	151.21	15.68%	4.40%	1.72%	10.71%	8.99%	(151.21)	2.60	3.01	3.48	4.02	4.66
UPS	United Parcel Serv.	117.06	6.73%	4.40%	3.42%	8.91%	5.50%	(117.06)	4.00	4.27	4.56	4.86	5.19

Notes

[1] From worksheet: DDM Short Term Growth Rate Calculations

[2] From worksheet: Inflation & Real Growth

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**DDM Sustainable Long Term Growth
Industry: Scheduled Airlines - Freight
2020 Assessment Year**

Dividend	Stage 2															Stage 3		
Ticker	D ₆	D ₇	D ₈	D ₉	D ₁₀	D ₁₁	D ₁₂	D ₁₃	D ₁₄	D ₁₅	D ₁₆	D ₁₇	D ₁₈	D ₁₉	D ₂₀	D ₂₁	D ₂₂	D ₅₀₀
AAWW	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
AIRT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
ATSG	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
FDX	4.16	4.56	5.00	5.48	6.00	6.58	7.21	7.90	8.66	9.49	10.40	11.39	12.48	13.68	14.99	15.65	16.34	14,193,690,888
UPS	5.48	5.83	6.20	6.60	7.02	7.46	7.94	8.45	8.99	9.56	10.17	10.82	11.51	12.24	13.02	13.60	14.19	12,329,457,186

Earnings	Stage 2															Stage 3		
Ticker	D ₆	D ₇	D ₈	D ₉	D ₁₀	D ₁₁	D ₁₂	D ₁₃	D ₁₄	D ₁₅	D ₁₆	D ₁₇	D ₁₈	D ₁₉	D ₂₀	D ₂₁	D ₂₂	D ₅₀₀
AAWW	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
AIRT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
ATSG	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
FDX	5.35	6.15	7.07	8.12	9.33	10.73	12.33	14.17	16.29	18.72	21.51	24.72	28.41	32.65	37.53	39.18	40.90	35,529,123,162
UPS	5.53	5.89	6.28	6.69	7.13	7.60	8.10	8.64	9.20	9.81	10.45	11.14	11.87	12.65	13.48	14.08	14.70	12,765,363,797

MONTANA DEPARTMENT OF REVENUE

Support for Cost of Debt Component - Yield to Maturity

Industry: Scheduled Airlines - Freight

2020 Assessment Year

A	B	C	D	E	F
Ticker	Company	Industry Group	Financial Strength	Moody's Long Term Rating	Numeric Rating
		<i>Value Line</i>	<i>Value Line</i>	<i>Moodys.com</i>	
AAWW	Atlas Air Worldwide	AIRTRANS	B+		
AIRT	Air T Inc	AIRTRANS	C		
ATSG	Air Transport Services Grp.	AIRTRANS	B	Ba2	12
FDX	FedEx Corp.	AIRTRANS	A++	Baa2	9
UPS	United Parcel Serv.	AIRTRANS	A	A2	6
Average					9
Median					9
High					12
Low					6
Selected				Ba1	11

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Equity Capitalization Rate

Industry: Scheduled Airlines - Freight

2020 Assessment Year

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
Ticker	Company	End of Year Closing Stock Price	VL Historic EPS	VL Est EPS	VL Historic P/E Ratio	VL Est P/E Ratio	Ke Estimate - Earnings (Hist. P/E)	Ke Estimate - Earnings (Est. P/E)	VL Historic Cash Flow Per Share	VL Est Cash Flow Per Share	VL Historic P/CF Ratio	VL Est P/CF Ratio	Ke Estimate - Cash Flow (Hist. P/CF)	Ke Estimate - Cash Flow (Est. P/CF)	Market Value of Equity	Book Value of Equity	MTBR
		Yahoo	Value Line	Value Line	C/D	C/E	1/F	1/G	Value Line	Value Line	C/J	C/K	1/L	1/M	Price x Shrs	10-K	P/Q
AAWW	Atlas Air Worldwide	27.57	5.32	4.55	5.18	6.06	19.30%	16.50%	15.39	14.60	1.79	1.89	55.82%	52.96%	713	1,792	0.40
AIRT	Air T Inc	20.15	0.75	0.00	26.87		3.72%		2.97	0.00	6.78		14.74%		41	22	1.82
ATSG	Air Transport Services Grp.	23.46	(0.71)	1.61	(33.04)	14.57		6.86%	4.69	0.00	5.00		19.99%		1,392	460	3.02
FDX	FedEx Corp.	151.21	13.60	10.75	11.12	14.07	8.99%	7.11%	28.67	24.55	5.27	6.16	18.96%	16.24%	39,437	18,659	2.11
UPS	United Parcel Serv.	117.06	7.53	7.90	15.55	14.82	6.43%	6.75%	9.92	10.95	11.80	10.69	8.47%	9.35%	100,495	3,267	30.76
Average					5.13	12.38	9.61%	9.31%			6.13	6.25	23.60%	26.18%			7.62
Median					11.12	14.32	7.71%	6.99%			5.27	6.16	18.96%	16.24%			2.11
High					26.87	14.82	19.30%	16.50%			11.80	10.69	55.82%	52.96%			30.76
Low					(33.04)	6.06	3.72%	6.75%			1.79	1.89	8.47%	9.35%			0.40
Selected					13.61		7.35%				5.68		17.60%				2.30

MONTANA DEPARTMENT OF REVENUE

Support for Direct Capitalization - Debt Capitalization Rate

Industry: Scheduled Airlines - Freight

2020 Assessment Year

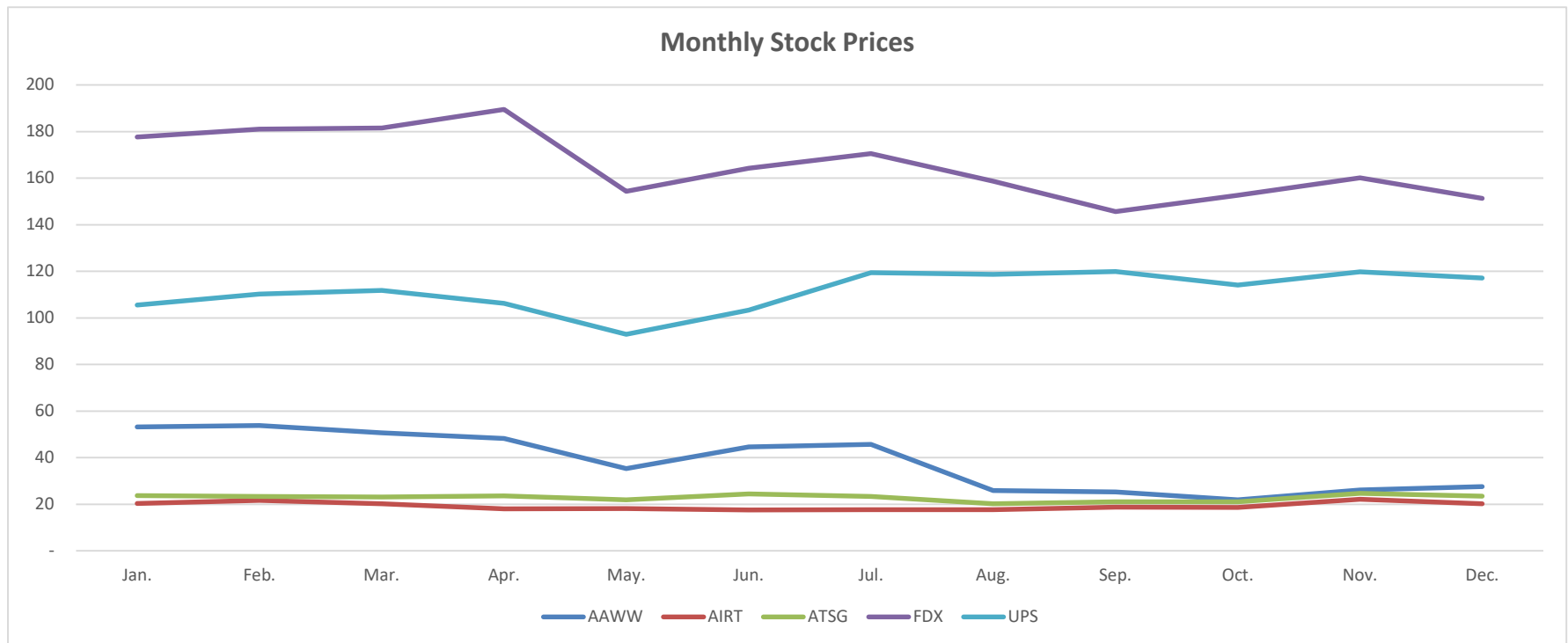
(\$ in Millions)

A	B	C	D	E	F	G	H	I	J
Ticker	Company	YE 2019 Interest Exp.	YE 2018 MV LT Debt	YE 2018 BV LT Debt	YE 2019 MV LT Debt	YE 2019 BV LT Debt	2019 Avg MV LT Debt	2019 Current Yield	MTBR
		10-K	10-K	10-K	10-K	10-K	(D+F)/2	(C/H)	(F/G)
AAWW	Atlas Air Worldwide	120	2,565	2,470	2,464	2,381	2,515	4.78%	1.04
AIRT	Air T Inc	3	48	48	58	58	53	6.48%	1.00
ATSG	Air Transport Services Grp.	67	1,395	1,401	1,482	1,484	1,438	4.63%	1.00
FDX	FedEx Corp.	588	16,600	16,585	17,800	17,581	17,200	3.42%	1.01
UPS	United Parcel Serv.	653	23,293	22,736	26,949	25,238	25,121	2.60%	1.07
All Companies		1,431			48,753	46,742	46,327	3.09%	1.04
Average								4.38%	1.02
Median								4.63%	1.01
High								6.48%	1.07
Low								2.60%	1.00
Selected								4.60%	1.01

MONTANA DEPARTMENT OF REVENUE

Support of Stock Price - From YAHOO Finance
Industry: Scheduled Airlines - Freight
2020 Assessment Year

		End of Period Closing Stock Price											
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A	B	C	D	E	F	G	H	I	J	K	L	M	N
Ticker	Company	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
AAWW	Atlas Air Worldwide	53.22	53.74	50.56	48.29	35.39	44.64	45.65	25.85	25.23	21.93	26.09	27.57
AIRT	Air T Inc	20.28	21.56	20.13	18.00	18.14	17.49	17.57	17.75	18.78	18.71	22.07	20.15
ATSG	Air Transport Services Grp.	23.75	23.27	23.05	23.53	21.94	24.40	23.31	20.20	21.02	21.06	24.61	23.46
FDX	FedEx Corp.	177.57	181.00	181.41	189.46	154.28	164.19	170.53	158.61	145.57	152.66	160.05	151.21
UPS	United Parcel Serv.	105.40	110.20	111.74	106.22	92.92	103.27	119.47	118.66	119.82	114.01	119.73	117.06



MONTANA DEPARTMENT OF REVENUE

Maintenance Capital Expenditures Estimate Based on Guideline Companies Industry: Scheduled Airlines - Freight 2020 Assessment Year

(\$ In Millions)

1	2		3	4	5	6	7	8	9	10	11
A	B	C	D	E	F	G	H	I	J	K	L
Ticker	Company	Inflation	PP&E, Gross	PP&E, Gross	Average PP&E	Depreciation Expense	Average Life of Assets			Replacement Cost (RC)	RC as % of Depreciation
			Current Year	Previous Year				Note [1]	Note [1]	Note [1]	
		MTDOR (CPI)	10-K, Notes	10-K, Notes	(D+E)/2	10-K (CF)	F/G	C*H	1/(1+C)^H	G*I/(1-J)	K/G
AAWW	Atlas Air Worldwide	2.20%	5,031	5,323	5,177	317	16	0.36	0.70	381	120.13%
AIRT	Air T Inc	2.20%	10	9	10	8	1	0.03	0.97	8	102.52%
ATSG	Air Transport Services Grp.	2.20%	2,912	2,501	2,707	285	9	0.21	0.81	319	111.89%
FDX	FedEx Corp.	2.20%	59,511	55,121	57,316	3,353	17	0.38	0.69	4,059	121.06%
UPS	United Parcel Serv.	2.20%	59,727	54,488	57,108	2,360	24	0.53	0.59	3,069	130.04%
Average											117.13%
Median											120.13%
High											130.04%
Low											102.52%
Selected											117.00%

Notes

[1] Cornell, B. & Gerger, R. (2017). Estimating Terminal Values with Inflation: The Inputs Matter-It Is Not a Formulaic Exercise. *Business Valuation Review*, Volume 36, Number 4, 117-123.